

INDUSTRY UPDATE

Biweekly Period Ending May 4, 2002

Phoenix Metro Area

Manufacturing

Up to 100 jobs could be **added within a year** at **Goodrich Corp.'s Aircraft Interior Products division in Phoenix** due to an increased workload and expansion of operations. A slowdown in business after Sept. 11 caused Charlotte-based Goodrich to merge two of its units and close operations in West Virginia, Los Angeles, and Miami. The 14-year-old Phoenix operation (3414 S. Fifth St.) became the beneficiary of the closings. It is **adding** 120,000 square feet of **testing, manufacturing and servicing space** as part of Goodrich's contract to build and test safety slides for the new Airbus A380 jumbo jet.

A U.S. company owned by Taiwan interests recently purchased a Tempe chip-making operation and expects to increase its staff by 60 percent within 12 months. Seeking to expand beyond its low-end product line — semiconductors used in monitors and surge protectors — **Pan Jit Americas** said it will **add about 30 employees** to its existing staff of 50, which includes 32 production workers and 18 design engineers. Pan Jit Americas, which bought a 20,000-square-foot production facility from Primarion Inc. in March, is a subsidiary of Taiwan-based Pan Jit International, which employs about 700 people worldwide.

Despite **losing out** in early April to TRW on a **\$665 million contract** to build a group of low-orbit satellites for the nation's missile defense system, Gilbert-based **Spectrum Astro** says it will be **intensely involved** in the multibillion-dollar project as a **subcontractor** to TRW's Cleveland-based defense division. Spectrum Astro has been expanding its operations in anticipation of winning the contract,

including starting work on an 80-acre campus at McQueen and Elliot roads that will eventually employ around 3,000. The first phase of the campus will be a 123,000-square-foot manufacturing facility that is expected to open in spring 2003 (see Jan. 12, 2002, *Industry Update*).

Construction

Valley home and office construction has **slowed dramatically** from the pace of a year ago. With **office vacancy rates** averaging **nearly 19 percent** in the first quarter of 2002, office construction was one-tenth of what it was in the first quarter of 2001. More than 50 office buildings with a total of 5 million square feet of space were completed in 2001, according to a report by CB Richard Ellis. The housing market hasn't fared much better. **Building permits** for the first quarter of 2002 were **down 18 percent** from the same period a year earlier. However, sales of existing homes, which are usually less expensive than new homes, were up 12 percent in February (no quarterly data were available). But it's expected that sales of existing homes will also begin to decline as interest and unemployment rates continue to rise.

DMB Associates was set to **begin construction in early May** on an 8,800-acre **master-planned community** 15 miles west of Phoenix at the **base of the White Tank Mountains**. Called **Verado**, the first phase of the project will encompass 1,021 acres and include **1,750 homes** priced between \$130,000 and \$400,000, the **first of several golf courses**, and **street and utility infrastructure**. Down the line, DMB plans to add a "Main Street" downtown that includes retail shops, restaurants, and entertainment.

Possibly spurred by the recent announcement of a new Wells Fargo regional campus in Chandler (see "Finance, Insurance, and Real Estate," below), **Signature Properties LLC** of Scottsdale is **planning a 12-story hotel** at the southwest corner of **Loop 101 and Frye Road**. **W.E. O'Neil Construction Co.** will **build the 347-room hotel**, which will feature 16,000-square-feet of conference space. Construction of the yet-to-be-named hotel is expected to begin in late 2002 or early 2003.

Finance, Insurance, and Real Estate

It took more than a year for expansion plans to come to fruition, then **Wells Fargo Bank of Arizona** "doubled the Valley's pleasure" with a second piece of good news. In late April, Wells Fargo made official plans to **build the first phase of a regional campus in Chandler** (Price and Queen Creek roads), where it will **consolidate** most of its Phoenix-area **customer-service and information technology operations**, as well as have room to grow. The \$75 million 400,000-square-foot facility, which will initially house about 2,000 workers, could **eventually grow to 1 million square feet with 4,000 workers**. Work on the facility is expected to begin in early 2003, with **completion of the first phase in late 2004**. But Wells Fargo's good news wasn't over, as a week later the bank revealed it will **add 500 jobs in a loan-servicing facility in north Phoenix** (Interstate 17 and Cactus Road), primarily to handle a 40 percent jump in home-equity loans. Most of these **positions will involve loan servicing and customer service**.

As part of a plan to **expand its workforce of brokers (from 20 to 100)**, **World Financial Group** has **moved its regional office** from Glendale **to Peoria** (16150 N. Arrowhead Financial Center). Based in Duluth, Ga., World Financial is an independent marketing company offering life insurance and other financial services products. It is a subsidiary of the Aegon Group, an international financial services company.

An **unspecified number of employees** were **laid off** from embattled **Arthur Andersen's Phoenix office** in early April. The Chicago-based accounting firm, which was caught up in the Enron financial scandal and has since lost a large number of major clients, said it would lay off 7,000 employees worldwide. The Phoenix office, 44th and Washington streets, employs about 500 people.

The **Valley's** (and state's) **sluggish economy** has taken a **financial toll on thousands** of Phoenix-area residents. In the first quarter of 2002, **bankruptcy filings increased by 22 percent**, while **home foreclosures rose around 25 percent** in 2001, compared to a year earlier. Still, the recent rates of foreclosures and bankruptcies are smaller than during the last recession in the early 1990s, according to industry officials.

Trade

As had been expected, officials from the soon-to-be-merged companies of Phillips Petroleum and Conoco announced in early May that at least **930 jobs** are expected to be **lost at Phillips' marketing unit in Tempe**. More than 200 wholesale and commercial marketing positions in Tempe will move to Phillips' current home in Bartlesville, Okla., with another 700 support workers moving to Conoco's base in Houston. No information was available on what will happen to the remaining 600 positions at the Tempe operation, which is responsible for managing, marketing, and supporting operations of Circle K and Phillips' convenience stores throughout the country. But it's likely many will be dissolved as part of plans to save \$750 million in annual operational efficiencies by the new Conoco entity.

Services

JDA Software, which employs about 400 people at its Scottsdale headquarters and 1,400 worldwide, has **not been hurt** by the sluggish U.S. economy. In fact, its **primary product** — which tracks inventory and sales for retailers — **thrives in a cost-cutting**

environment. First-quarter revenue was up 20 percent over the same period in 2001 and the outlook continues to look strong as potential clients continue to upgrade their software coming out of the recession, said the company's CEO and founder, Jim Armstrong. **No information** was available on **potential new employment** at its **Valley operations**, but prospects look good given JDA has no debt and is constantly looking to acquire new companies.

Construction is set to begin on a traditional, full-service hospital in the west Valley, while a long-term acute-care facility for specialized patients will open later this month in Scottsdale. Nashville, Tenn.-based **Vanguard Health Systems**, which has two other Valley hospitals (Paradise Valley and Phoenix Memorial), will **build a \$50 million health-care facility** on the 40-acre **Palm Valley Medical Complex in Goodyear** (McDowell and Litchfield roads). The **West Valley Medical Center** — which will sit next to an already open medical office building and the 120-bed Palm Valley Rehabilitation and Care Center — will serve about 50,000 patients a year. Expected to **open in mid-2003**, the 160,000-square-foot, three-story hospital will initially offer 100 beds, but will have room to double that number. ... Beginning in late May, **Kindred Healthcare** of Louisville, Ky., will **operate a 50-bed acute-care facility** in Scottsdale that will offer long-term care (averaging around 30 days) for patients with specialized needs (e.g., dependent on ventilators). Unlike traditional hospitals, this acute-care facility at 11250 N. 92nd St. (formerly known as Meridian Point Rehabilitation Hospital) and a 58-bed facility Kindred operates in Phoenix (Third Street and Indianola) does not offer emergency room service. Known as Vencor before coming out of bankruptcy protection in April 2001, Kindred operates 60 acute-care hospitals and 300 skilled-nursing facilities nationwide.

Government

Encroaching development and competition

for air space **around Luke Air Force Base in Glendale** could **jeopardize the base's existence** and the estimated **\$2 billion impact** it has on the **Valley's economy**, according to a soon-to-be-released report. In addition, several bases in other states are lining up to lure away the 4,200-acre training ground for pilots of F-16 jet fighters. Arizona Sen. John McCain recently warned mayors and other elected officials in surrounding communities that land south of the base — leading to the Barry Goldwater (Bombing) Range — must be protected from development and that projects other than housing must be promoted for other areas around Luke. Another round of base closings is expected to begin in 2005.

Balance of State

Several southern Arizona counties were the **major beneficiaries** of \$500,000 in **job-training grants** allotted under the **Workforce Investment Act** in late April by the state Department of Commerce. The largest grant awarded (about \$250,000) is for **training low-income workers** to become **certified nursing assistants** and **licensed practical nurses** in **Cochise and Santa Cruz counties**. A statewide shortage of nurses prompted the choice of funding training for these occupations. In addition, about \$90,000 was awarded to **train unskilled workers** to **become assemblers and electronic technicians** in **Pima, Santa Cruz, and Cochise counties**. For more information, contact the local Worker Investment Act program in those counties.

Statewide

Services

Seeking to improve the quality of its entry-level workers, **Arizona's printing industry** has **joined** with the **Maricopa Skill Center** to **offer** a seven-month **certified training program** in various printing skills. Part of the Maricopa Community College system, the

skill center offers a **self-paced, hands-on training program** that **covers** areas such as preparing **printing plates** and **operating collating machines, duplicating machines, paper cutters** and **other printing equipment**. At a recent career day in Phoenix, the Printing Industries Association Inc. of Arizona attempted to get the word out that the industry is seeking high school students or graduates who are interested in learning a trade. The Maricopa Skill Center can be reached at 602-238-4300 or on the Internet at: www.gwc.maricopa.edu/msc/.

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